

(c) *Compliance with guidelines.* It is strongly encouraged, but not required, that all such properties be tested in accordance with the Lead-Based Paint Interim Guidelines for Hazard Identification and Abatement in Public and Indian Housing (hereafter Lead-Based Paint Interim Guidelines), as periodically amended or updated, and other future official departmental issuances related to lead-based paint, before any irrevocable commitment is made to acquire the property. The Lead-Based Paint Interim Guidelines are available by contacting the following office: Department of Housing and Urban Development, Office of Lead-Based Paint Abatement and Poisoning Prevention, Room B-133, 451 Seventh Street, SW, Washington, DC 20410; telephone (202) 755-1805. Properties that have already been tested in accordance with the Lead-Based Paint Poisoning Prevention Act as amended by the Housing and Community Development Act of 1987 need not be tested again. If lead-based paint is found in a property to be acquired, the cost of testing and abatement shall be considered when making the cost comparison to justify new construction, as well as when meeting maximum total development cost limitations.

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10. On page 18237, in column three, § 950.570 is corrected by revising paragraph (c), to read as follows:

§ 950.570 Procedures involving EBLs.

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(c) *Testing.* Testing shall be completed within five days after notification to the IHA of the identification of the EBL child. It is strongly recommended, but not required, that IHAs use the testing methods outlined in Part II of the Lead-Based Paint Interim Guidelines, as periodically amended or updated, and other future official departmental issuances related to lead-based paint. A qualified inspector or laboratory shall certify in writing the precise results of the inspection. Testing services available from State, local, or tribal health or housing agencies or an organization recognized by HUD shall be utilized to the extent available. If the results equal or exceed a level of 1 mg/cm² or .5% by weight, the results shall be provided to the tenant or the family of the EBL child using the IHA-owned or operated child care facility. Testing will be considered an eligible modernization cost under subpart I of this part only upon IHA certification

that testing services are otherwise unavailable.

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Dated: June 28, 1995.

Michael B. Janis,

General Deputy Assistant Secretary for Public and Indian Housing.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[T.D. 8228]

Allocation and Apportionment of Interest Expense

CFR Correction

In title 26 of the Code of Federal Regulations, part 1, §§ 1.851 to 1.907, revised as of April 1, 1995, on page 140, § 1.861-8(e)(2) is corrected to read as follows:

§ 1.861-8 Computation of taxable income from sources inside the United States and from other sources and activities.

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(e) *Allocation and apportionment of certain deductions.*

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(2) *Interest.* [Reserved] For guidance, see § 1.861-8T(e)(2).

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26 CFR Part 1

[TD 8598]

RIN 1545-AT50

Consolidated Groups—Intercompany Transactions and Related Rules

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Temporary regulations.

SUMMARY: This document contains temporary regulations that provide rules for disallowing loss and excluding gain for certain dispositions and other transactions involving stock of the common parent of a consolidated group. These temporary regulations are necessary to prevent taxpayers from recognizing certain gains and losses on common parent stock that would not be recognized if a consolidated group were treated as a single entity. The text of these temporary regulations also serves as the text of the proposed regulations set forth in the notice of proposed

rulemaking on this subject in the Proposed Rules section of this issue of the **Federal Register**.

DATES: These regulations are effective July 12, 1995.

For dates of applicability, see the effective date provision of the temporary regulations.

FOR FURTHER INFORMATION CONTACT: Victor Penico, (202) 622-7750 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Income Tax Regulations (26 CFR part 1) under section 1502. These temporary regulations provide rules for disallowing loss and excluding gain for certain dispositions and other transactions involving stock of the common parent of a consolidated group.

Final regulations published in this issue of the **Federal Register** provide rules for the treatment of intercompany transactions. The regulations generally provide greater single entity treatment of intercompany transactions than prior regulations under §§ 1.1502-13 and -14.

For intercompany transactions with respect to stock of a member, however, the final regulations generally adopt separate entity treatment, similar to the treatment under prior § 1.1502-14. For example, stock is generally treated as an asset separate from the member's underlying assets and, if a member's stock is sold in an intercompany transaction, gain or loss from the stock sale is taken into account under the matching and acceleration rules that apply to other assets. The regulations adopt this approach in part because greater single entity treatment would significantly increase the complexity of the regulations. See Notice 94-49, 1994-18 I.R.B. 8, for a discussion of issues relating to the single entity treatment of stock.

The Treasury and the IRS are continuing to study whether greater single entity treatment of stock is appropriate or possible. While finalizing the intercompany transaction regulations, however, the Treasury and the IRS have become aware that consolidated groups are relying on the separate entity treatment of stock to claim losses on capital raising and other transactions. For example, taxpayers might seek to take advantage of separate entity treatment by having a subsidiary (S) purchase the stock of the common parent (P) from P. If the value of the P stock has gone down at a time when the group wants to issue P stock, S will sell its P stock at a loss and claim the losses, even though in a sale of the stock by P,